

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20054

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OFFICE OF SECRETARY

In the Matter of)

Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45
DA 97-88

**COMMENTS OF
WORLD COM, INC.
ON PROXY COST MODEL WORKSHOPS**

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Dated: January 24, 1997

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INTRODUCTION AND SUMMARY

WorldCom, Inc., through its subsidiary, MFS Communications Company, Inc. ("MFS"), by its undersigned counsel and pursuant to the Commission's request for comments released on January 16, 1997 in the above captioned proceeding, submits these comments on the universal service costing workshops sponsored by the Commission on January 14 and 15.

The design standards for proxy cost models should reflect the technologies required for the provision of networks capable of a minimum grade of service. Specifically, MFS recommends that proxy cost models reflect an ANSI network design standard incorporated in the interconnection agreement that MFS signed with Ameritech. That standard can accommodate access to advanced telecommunications services and the 1 megabit data and video transmission capabilities required of carriers that receive federally subsidized rural telephone loans. Such network standards plainly indicate the design standards that

Congress determined should be a prerequisite for receipt of federal rural telephone loans and ought to be the design standard of all telephone companies that receive federal universal service subsidies. MFS is not suggesting that the provision of advanced services be subsidized by universal service, but as a prerequisite for receipt of universal service funds, networks should be engineered to satisfy these minimum national standards.

All three models presented at the costing workshops suffer from the significant constraint imposed by using existing wire centers as a design foundation. Although MFS and other parties could submit wide-ranging critiques of the cost models that were presented, the announcement that each model proponent plans to release "new, improved" versions by the end of January makes any such critique moot. Therefore, MFS respectfully requests that the Commission allow comments on specific cost model proposals to be submitted after the new versions are released.

I. PROXY COST MODELS SHOULD REFLECT DESIGN STANDARDS THAT PROMOTE ACCESS TO ADVANCED TELECOMMUNICATIONS SERVICES

Throughout the Commission's universal service proceeding, MFS has urged the Commission to establish a network design standard that promotes access to advanced telecommunications and information services in all regions of the Nation -- a universal service policy principle that is specifically listed in §254(b),^{1/} and a policy goal featured

^{1/} 47 U.S.C. §254(b)(2). "Access to advanced telecommunications and information services should be provided in all regions of the Nation."

prominently throughout the Telecommunications Act.^{2/} To promote access to advanced telecommunications and information services as required by §254(b)(2), MFS suggested ^{3/} that the Commission adopt the network modernization standards mandated by Congress for rural telephone companies in the Rural Electrification Loan Restructuring Act of 1993 ("RELRA").^{4/} The RELRA requires state or territorial public utility commissions or borrowers to develop network modernization plans as a prerequisite for otherwise eligible carriers to receive federally subsidized loans for telecommunications utilities.^{5/} Application of the

^{2/} 47 U.S.C. §§ 254(b)(2) (access to advanced services), (b)(3) (rural access to advanced services), (b)(6) (access to advanced services for schools, health care providers and libraries), (h)(2) (advanced services for schools, health care providers and libraries), and, 706 (regulators shall encourage the deployment of advanced telecommunications capabilities).

^{3/} MFS's recommendation is described more completely in its Comments at pp. 3-12 (December 19, 1996), its Reply Comments at pp. 3-6 (January 12, 1997), its initial Reply Comments at pp. 12-18 (filed May 7, 1996), the comments it filed in response to two subsequent requests for information filed with the Joint Board and the Commission on August 2, 1996 (pp. 11-28) and August 9, 1996 (pp. 3-5), and in a written *ex parte* filed with the Commission and members of the Joint Board on October 17, 1996.

^{4/} 107 Stat. 1356, codified in 7 U.S.C. § 935 (1994).

^{5/} The Act specifically requires that
"a telecommunications modernization plan must, at a minimum, meet the following objectives:

- (i) The plan must provide for the elimination of party service.
- (ii) The plan must provide for the availability of telecommunications services for improved business, educational, and medical services.
- (iii) The plan must encourage and improve computer networks and information highways for subscribers in rural areas.
- (iv) The plan must provide for --
 - (I) subscribers in rural areas to be able to receive through telephone lines --

(continued...)

statutory network modernization standard is clearly feasible since the Rural Utilities Service ("RUS") has promulgated rules implementing the above statute^{6/} and implementation plans from the majority of states and territories (many with substantial rural, high-cost and/or low-income populations) have been filed with and approved by the RUS.^{7/} If Congress set these minimum standards for rural telephone companies as a prerequisite for receipt of federal subsidies, they should also be the minimum design standard for all local telecommunications providers as a prerequisite for federal universal service subsidies, absent a showing of technical infeasibility.^{8/} MFS is not suggesting that high-capacity services or deployment of broadband networks be subsidized by universal service funds; it is merely suggesting that networks be capable of at least the same transmission speeds that Congress requires of rural telephone borrowers. By making such capabilities a

^{5/} (...continued)

- (aa) conference calling;
 - (bb) video images; and,
 - (cc) data at a rate of at least 1,000,000 bits of information per second; and,
- (II) the proper routing of information to subscribers."

7 U.S.C. §935(d)(3)(B). [emphasis added]

^{6/} 7 C.F.R. §1751.106 *et seq.*

^{7/} MFS's Attachment 1, filed with its Comments (December 19, 1996), shows the status of plans filed with the RUS.

^{8/} For example, a wireless carrier might not be able to develop a network capable of 1Mb/second transmission speeds simply because it cannot obtain sufficient spectrum due to limited spectrum and regulations governing allocation of spectrum. In such instances, where a carrier cannot conform with the requirements due to factors beyond its control, the minimum network standards should be waived.

prerequisite for receipt of universal service funds, the Commission will encourage the deployment and access to advanced telecommunications and information services as required by §254(b)(2).

A proxy cost model ought to reflect a network design standard capable of satisfying this Congressional prerequisite for rural carriers (who serve many high-cost areas). MFS recommends that the Commission establish a minimum design standard for wireline local loops, specifically an ANSI network standard (T1.413-1995-007R2 or later) that will allow for high-speed transmission speeds. In the interconnection agreement between MFS and Ameritech 2-wire loops that meet this standard are made available at the same price as other loops. Thus, the standard establishes a design standard for advanced loops, but since such loops are priced the same as other loops does not result in higher costs. This ANSI standard will also meet the minimum transmission standards established by Congress for rural carriers. Properly designed (*i.e.*, unloaded) copper loops less than 18,000 feet meet this standard,^{9/} so adoption should not impose a substantial burden on telephone companies. For loops greater than 18,000 feet, loop electronics or remote switch modules can be deployed.

^{9/} A loop design should not permit "loaded" loops because the signal attenuation characteristics of such loops prevent access to advanced, high-speed services even including 28.8 kb modems or modern facsimile machines.

II. COMMENTS ON SPECIFIC COST MODEL PROPOSALS MUST BE DEFERRED UNTIL NEW VERSIONS ARE RELEASED

At the beginning of the workshop, each proponent of the three models proffered for consideration announced they would release "new, improved" versions about the end of January. Unfortunately, those announcements effectively neutered many of the comments offered by participants on the four workshop panels. For example, the new Hatfield model will have a revised long loop design algorithm. Unfortunately, it apparently will be based on a "loaded" loop design. As explained above, such loops do not support access to advanced technologies - a specific requirement of the legislation. Similarly, none of the plans appear to incorporate copper based subscriber loop carrier systems as part of the design algorithms even though such technologies remain "forward looking." The newest Benchmark model will incorporate new user interfaces to permit greater variation of the inputs, perhaps overcoming one of its greater shortcomings. Both models propose new methods of assigning population to wire-centers and of eliminating unpopulated areas. These changes likely will significantly affect the outcomes from the models. Since neither model identifies a "planning period," anticipated growth rates or standard engineering design intervals, we can only offer broad platitudes about appropriate fill factors.

Any model suffers from the significant constraint imposed by using existing wire centers as a design foundation. Although this requirement substantially simplifies the initialization of any model, it reduces the benefits of any forward looking design by prohibiting consolidation of both wire centers and switching systems that might be possible

with newer technologies. Of course, it automatically models the existing ownership relationships of the very smallest telephones companies. Because that may systematically over estimate the forward looking costs of serving less dense areas and thus overstate the funds needed for high-cost support, the Commission should consider removing this fundamental design restriction.

Concerning operating and capital costs, parties generally took the same positions they've taken in dozens of state and federal service-cost proceedings. Typically, the relevant commission simply has to make its own decision of which factors to use. The impact of each alternative is fairly obvious - costs are either increased or decreased. In this particular instance, the Commission may want to create an advisory committee for the limited purpose of determining inputs, but little time remains before the statutory deadline. In this regard, MFS' greatest concern is that the Commission not over estimate how rapidly new entrants will gain market share. Recall how many decades it took the interexchange market to become competitive and how much greater investment is required in local markets before they will become equally competitive. Neither the risk cost of capital nor depreciation lives will be significantly affected for incumbent local carriers for several, if not many, years.

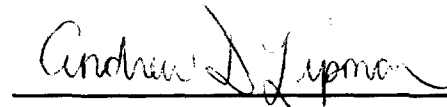
Although MFS could offer a more complete critique of the three models presented at the workshops, any such critique will be outdated as soon as the proponents of the models release their new, improved versions. Realizing the statutory time constraints facing the

Commission, MFS nonetheless respectfully requests that parties be given the opportunity to submit comments on the new, improved models subsequent to their release.

CONCLUSIONS

MFS applauds and supports the Commission's efforts to determine an objective mechanism for determining the proxy costs to identify high cost service areas and determine the size of universal service support. In developing such a mechanism, as described above, MFS urges the Commission to incorporate in its proxy models the network design standards specified by Congress for rural telephone companies. MFS also urges the Commission to allow parties to submit comments regarding the new, improved versions of the proxy cost models subsequent to their release.

Respectfully submitted,



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Dated: January 24, 1997

CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of January 1997, copies of the foregoing
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CC Docket No. 96-45; DA 97-88 were sent via Messenger** or via First-Class Mail,
U.S. postage prepaid, to the persons on the attached service list.


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